

CO2 Tracking for Private Markets Investors: It's not as scary as you think.

Climate change will impact every corner of human existence if left unchecked. Private markets investors are in a unique position to help combat global warming by tracking the carbon emissions of their portfolios.

Scope 1 - Direct

Track the CO2 emissions that come directly from your investments.



Offices



Vehicles

Scope 2 - Indirect

Track the CO2 emissions that come from the resources used to power and create your investment.



Electricity



Water



Power

Scope 3 - Indirect

Track the CO2 emissions that come from the waste created by your investments.



Travel

Product End of life



Time



Waste



Franchises



Investments

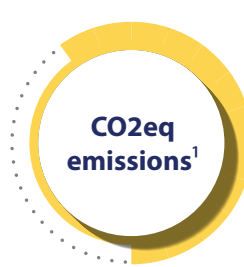
How to track Carbon emissions

1
Identify and prioritize the main sources of greenhouse gases.

2
Create a plan and pilot it before deploying to all assets.

3
Communicate the results to internal and external stakeholders.

Calculate emissions using internationally recognized data from EPA, eGrid, GHG Protocol, ADEME etc.



(1) CO2eq = Carbon dioxide equivalent. Unit of measurement that converts all GHGs into CO2

A starting point to think about measuring Scopes 1, 2 & 3 for your investments.

Do your portfolio companies have access to granular consumption data? Are they mature?

YES

Use Full Approach
Complete calculation of each company's emissions, automatically calculated in Reporting 21.

NO

Are your portfolio companies able to provide aggregate energy consumption metrics across some categories of consumption (typically 5-10)?

YES

Use Material Approach
Calculation of emissions based on a few collected data points and focusing on the most material emission items for each company, automatically calculated in Reporting 21.

NO

Are you unable to collect detailed consumption data from your portfolio companies?

YES

Use Proxy Approach
Estimation of emissions based on the location of the company, its sector of activity and one or two financial metrics (revenue, AUM and associated share of ownership).

NO

Are you able to collect data from some companies, but not others?

YES

Use Hybrid Approach
Tailored to each portfolio company's ability to provide data.

Reporting 21 Supports the Guidance from the PCAF (Partnership for Carbon Accounting Financials).

The Global GHG Accounting and Reporting Standard for the Financial Industry:

"Financial institutions should use the highest quality data available for each asset class for calculations and, where relevant, improve the quality of the data over time. PCAF recognizes that high quality data can be difficult to come by when calculating financed emissions, particularly for certain asset classes.

However, data limitations should not deter financial institutions from taking the first steps toward preparing their inventories."

How Reporting 21 Approaches CO2 Emissions

Our advice to organizations just starting to track the CO2 emissions of their assets is to start with what is possible. Your carbon footprinting methodology should strike a balance between the availability of data and the materiality of the emission items.

The three approaches to scopes 1, 2 and 3 outlined below can be selected on a **case-by-case basis at both the corporate and portfolio company level** depending on variability in data availability and desired level of granularity.

Full

Complete calculation of the company's emissions.

Requirements:
The company has access to all its activity data (energy and fuel consumptions, all purchases, waste, etc.)

Material

Calculation of emissions based on a **few collected data points** and focusing on the most material emission items for the company.

Requirements:
The company has access to its main activity data (energy and fuel consumptions, main purchases, waste, etc.)

Proxy

Estimation of emissions based on the **location** of the company, its **sector of activity** and one or two **financial metrics** (revenue, amount invested and associated share of ownership).

Requirements:
Portfolio companies or other assets only need to provide 10-15 data points.